

FLUID MINERALS BOND PROCESSING USER GUIDE

II. Acceptance of Surety Bond for an Individual LeaseKeywordsA. General

This User Guide covers the acceptance of corporate surety bonds that cover only a single lease. A \$10,000 individual lease bond covers all operations of the principal for a specific, individual lease. If the principal or holder of the lease bond is not the entity that will conduct operations on the lease, in order to be covered by the principal's bond, a consent of the surety must be furnished to the BLM by the principal to allow the operations by another entity to be covered under the lease bond.

LEASE BOND
COVERAGE

Prior to the current bond Form 3000-4 (June 1988 or later edition individual lessee bonds or operator's bonds could be filed for operations on a lease (see Appendices 8 through 15). These previous bond forms are now obsolete, and may no longer be used for new bonds. However, many of these older bonds are currently maintained in the BLM State Offices and continue to be in force and effect. Resubmission of the current bond form is **not** required.

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KeywordsB. Preliminary Review of Bond by Field Office
Fluid Mineral Operations

Most individuals or entities file the required bond with an appropriate BLM State Office. However, Field Office Fluid Mineral Operations personnel may receive bonds, and must forward them expeditiously to the SO Fluid Leasing Adjudication staff. If a bond is received in the Field Office and forwarding the bond to the SO Adjudication via the regular mail system for SO acceptance would cause delays in the commencement of operations (e.g., approval of an APD before the end of the primary term of the lease), close telephone coordination between the Field Office Fluid Mineral Operations and SO Fluid Leasing Adjudication staffs is required to ensure that the bond is acceptable prior to approval of any operations on the lease. The original bond must then be promptly forwarded to the SO for formal acceptance after approval of the APD or other operational activity.

BOND RECEIVED
IN FIELD OFFICE
TRANSMITTAL TO
STATE OFFICE
ADJUDICATION

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C. Processing and Acceptance of Bond

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive the bond and date/time stamp. Forward to Docket.	
Docket	2	Pull appropriate case file and forward to Adjudication.	
ABSS Entry ALMRS Entry	3.	Enter the bond abstract into the ABSS and in Case Recordation/ALMRS.	AUTOMATED NOTATION
	3a	Under Case Type: Enter the appropriate case type code for the lease that the bond covers, e.g., 312021, 312022, 311121, 311122, 311211, etc.	
	3b.	Enter Action Date: Date bond filed; DE 2960 Action Code 468/DE 2910 Action Code 376; Action Remarks (Case Recordation): Bond amount, BLM bond number, and name of bond holder; General Remarks (Case Recordation): Name of any other bond holder and BLM bond number with associated well number for any other well maintained under another bond on the same lease.	
Adjudication	4.	Check the bond for the following:	
	4a	Bond is properly executed by the principal, including principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document.	EXECUTION BY PRINCIPAL/ CORPORATE SEAL

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Responsible Official	Step	Action	Keywords
	4b.	Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by the power of attorney (POA) showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6).	EXECUTION BY SURETY/SURETY CORPORATE SEAL
	4c.	An acceptable surety is one shown on the surety listing in the ABSS that must be accessed using the procedures in the ABSS User Guide. The automated surety listing is regularly updated by the BLM Business Center Finance Personnel in Denver. The ABSS reflects the most current surety company status.	ACCEPTABLE SURETY
	<u>NOTE:</u>	If the surety listing reflects the message "SURETY DECERTIFIED-NEW BONDS," this indicates that that the surety will maintain existing bonds, but will not undertake new bond obligations. If the listing reflects the message "SURETY DECERTIFIED-REPLACE BONDS," this indicates that the surety has been decertified by the Treasury Department. The SO Adjudication must review all existing bonds for that surety and request replacement bonds from the principal.	SURETY DECERTIFIED MESSAGE
	4d	Check that bond is for at least \$10,000 and that the third block on the form is marked.	MINIMUM BOND AMOUNT

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> Some older leases may specifically require that a bond in the amount of \$5,000 must be filed. These cases must be evaluated individually. The basic rule is that any bond filed needs meet the minimum amount required by the current regulations unless a specific lease term indicates differently. Effective February 22, 1960, a lease bond in the amount of \$10,000 was required prior to the beginning of drilling operations. However, effective November 16, 1976, a lease bond in an amount of not less than \$10,000 was required prior to commencement of drilling operations.</p>	
	4e.	A surety bond number is not required to be shown on bond form. In such cases, refer to the bond in the decision of acceptance and on the bond abstract in the ABSS as "Unnumbered Bond." If a number has been assigned by the surety on the bond form, all correspondence is to refer to this number as well as to the ABSS bond number.	BOND NUMBER
	4f.	If the lease serial number is missing or incorrect on the bond form, Adjudication is to fill in or correct it. Furnish a copy of the corrected bond to the surety and principal with the decision of acceptance of the bond.	INCORRECT LEASE SERIAL NUMBER
	4g.	Check that the principal and surety are indicated in the proper locations on the bond form.	

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	4h	Check that the bond amount is properly indicated on the form. The dollar amount must be spelled out, i.e., Ten Thousand and no/100 Dollars. A bond with only figures indicated (\$10,000) must be returned for correction, however, a bond with the figures missing may be accepted if the correct amount is spelled out clearly.	BOND AMOUNT SPELLED OUT
	4i	Check that the execution date on the bond is completed and precedes the date of filing of the bond. If the date of execution is not completed, return the bond to the principal for correction.	EXECUTION DATE COMPLETED
	<u>NOTE:</u>	Parties will sometimes attempt to file a bond to be effective at some future date. Reject such postdated bonds and advise the parties that the bond may be executed with a provision that it will become effective at some certain later date, but that the execution date must precede the date of filing.	EXECUTION POSTDATED
	4j	Access the ABSS to determine if the surety is acceptable.	QUALIFIED SURETY
	4k	<u>Power of Attorney.</u> Examine the POA or other documents showing that the person signing for the surety had the authority to do so on the date the bond was executed. With a normal POA, the document will recite that the surety company has appointed the individual (or others) as its attorney-in-fact on a certain date. This date must be the same as or earlier than the date the bond was executed.	POWER OF ATTORNEY

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Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> At the end of the POA, a completed certificate must be present indicating that the POA is still valid on a certain date (see Illustration 6). This certification must be dated the same date that the bond is executed or within a few days thereafter.</p>	SPECIAL POWER OF ATTORNEY CONDITIONS
	41.	Check the POA and bond carefully to ensure that the POA is not limited to certain conditions. Unless the POA was executed before the bond and also was still valid on the date the bond was executed, the bond is to be returned to the principal by certified mail for correction.	LIMITATIONS OF POWER OF ATTORNEY
	5.	If the bond is determined to be unacceptable for any reasons described in the previous steps, return the bond to the principal by a decision indicating the defects.	UNACCEPTABLE BOND
		<p><u>NOTE:</u> Since the bond is not considered effective until it is accepted by the United States, imposing time limits for correction of defects is not appropriate. Failure to timely file a bond may be the basis for other adverse actions, such as not approving an APD or a lease assignment/transfer.</p>	
ABSS Entry ALMRS Entry	6.	Enter Action Date: Date of decision declaring bond unacceptable; DE 2960 Action Code 470/DE 2910 Action Code 410; Action Remarks: EFF MM/DD/YYYY; General Remarks: Reason unacceptable (optional).	AUTOMATED NOTATION
Adjudication	7	If the bond is in order, prepare the acceptance decision (see Illustration 7), effective as of the later of the following dates:	BOND ACCEPTANCE DECISION

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	7a	Date the bond was filed in the proper BLM office; or	EFFECTIVE DATE OF BOND
	7b	Effective date indicated on the bond (this would normally occur only with a replacement bond where the principal and surety want the acceptance to coincide with a bond premium date).	
	8.	Forward the decision to the BLM signing official for signature. After signed, distribute to the principal and surety (c/o the attorney-in-fact).	
		Route for ABSS/ALMRS Entry, and filing of the case file and bond. The bond must be maintained in a secured, safe area within the BLM State Office.	SAFEGUARD LEASE BOND IN SECURE AREA
ABSS Entry ALMRS Entry	10	Enter Action Date: Date bond accepted; DE 2960 Action Code 469/DE 2910 Action Code 909; Action Remarks: Effective date of bond (MM/DD/YYYY); and, in Case Recordation, also enter BLM bond number General Remarks (in Case Recordation): Amount (optional), and type of bond.	AUTOMATED NOTATION
	<u>NOTE</u>	The date of entry in the ABSS when accepting a bond is to be the date of the decision of acceptance, with the effective date (MM/DD/YYYY) entered in the Action Remarks.	